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Congress of the United States

H.S. House of Representatives

COMMITTEE ON WAYS AND MEANS

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October 20, 2003

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> The Honorable William Thomas Chairman Committee on Ways and Means U.S. House of Representatives Washington, DC 20515

Dear Mr. Chairman:

Reports indicate that the Committee will soon be considering a bill to repeal the FSC/ETI tax program. We wanted to take this opportunity to let you know our views on this bill, which is vitally important for jobs in the United States.

Specifically, we propose that the following principles guide the Committee's, and the Congress', consideration of this important legislation:

- (1) Bill Should Directly Benefit Manufacturing and Production Jobs in the United States. Since January 2001, the Bush Administration has overseen the loss of more than 2.4 million manufacturing jobs. The FSC/ETI program was designed to help firms that manufactured and produced in the United States. Any replacement program should have the same, singular purpose.
- budget deficits. All realistic reports indicate that those deficits will continue for at least the next decade. Congress needs to take the lead in addressing the budget deficit crisis before it becomes even worse. Accordingly, the FSC/ETI replacement bill should be revenue neutral and should not be used as an excuse to pursue unrelated and expensive corporate tax cuts particularly ones that benefit the overseas operations of multinational corporations.
- (3) Bill Should Not Raise Taxes to Reward Companies that Set Up Shop Overseas. Similarly, the Crane-Rangel-Manzullo-Levin bill does not include any revenue raisers to pay for benefits for companies that have set up shop overseas. Any FSC/ETI repeal bill that includes unrelated revenue raisers should ensure that all of the money raised goes directly to benefit manufacturing and production in the United States.

(4) Bill Should Not Include Any Budget Gimmicks. The most reliable assessments show a cumulative deficit of \$5 trillion over the next decade, with even the CBO conceding that budget deficits over the next ten years will amount to \$1.4 trillion. A significant reason for the discrepancy in the estimates may be found in budget gimmicks used in tax bills passed over the last two years. The true cost of tax bills has been hidden by including long phase-in periods, treating costly provisions as "temporary" despite verbal assurance that they will be renewed, and disguising significant tax cuts in legislative forms that raise revenue in the short-term. In the face of a looming deficit crisis, it is time to put a stop to these reckless budget gimmicks.

A responsible FSC/ETI repeal bill could provide an important boost to manufacturing employment and production in the United States. Previous versions of your bill would have done just the opposite - raised taxes on U.S.-based manufacturers while lowering taxes on the overseas operations of U.S. firms. We think that using the principles above as guideposts is the best way to ensure that FSC/ETI repeal will help address the manufacturing crisis confronting our country—not worsen it.

Sincerely,

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John Lewis

Jim M. Olewatt Lawren Seem Chairman Thomas
October 20, 2003
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